



*Great people building great brands*



## 2004 Financial Performance Excluding Items Affecting Comparability\*



\* Net Income and EPS exclude the reduction of the provision for income taxes resulting from the adjustment of income tax contingency reserves in 2004 and the after-tax effect of business realignment and asset impairment charges and gain on sale of business in 2003. For a reconciliation of financial performance reported in accordance with U.S. generally accepted accounting principles ("GAAP") to financial performance excluding items affecting comparability, see page 31.

\*\* Earnings Before Interest and Income Taxes ("EBIT") of \$902.2 million for 2004 compares with EBIT of \$813.5 million for 2003, excluding business realignment and asset impairment charges of \$25.4 million and gain on sale of business of \$8.3 million. EBIT presented in accordance with GAAP was \$796.4 million for 2003.

### Safe Harbor Statement

The nature of the Company's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company notes the following factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. Many of the forward-looking statements contained in this document may be identified by the use of forward-looking words such as "intend," "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential," among others. Factors which could cause results to differ include, but are not limited to: changes in the Company's business environment, including actions of competitors and changes in consumer preferences; customer and consumer response to selling price increases; changes in governmental laws and regulations, including taxes; market demand for new and existing products; changes in raw material and other costs; pension cost factors, such as actuarial assumptions, market performance and employee retirement decisions; successful resolution of upcoming labor contract negotiations; and the Company's ability to implement improvements to and reduce costs associated with the Company's supply chain.

## To Our Fellow Stockholders:

You'll notice two differences in this year's annual report to stockholders ... one obvious, the other more subtle.

First, with the addition of this Summary Annual Report, we've created a beautiful, color portrayal of Hershey's iconic brands and dedicated employees. Together, our brands and employees embody the timeless bonds between Hershey's rich tradition and the enormous opportunities that lie ahead.

The second difference is our proposed new name, "The Hershey Company." This is how our consumers and customers best know us and it better communicates our long-term focus on being a leading confectionery and snack company, not just a "food" company. I hope you like both changes.

**2004 Results** Your Company recorded an excellent 2004. The combination of strong, top-line growth and solid cost control delivered record sales, market share, profitability and returns. Net income for the year (excluding items affecting comparability) was \$529.8 million, or \$2.06/share-diluted, an increase of 15% vs. 2003\*. This marked the fourth consecutive year of double-digit gains in earnings per share:

	2001	2002	2003	2004	'00-04 CAGR
EPS growth (excluding items affecting comparability*)	14.5%	11.3%	13.3%	15.1%	13.5%

### 2004 Highlights

#### Progress Against Our Value-Enhancing Strategy

Net sales increased 6.2% during 2004 as a result of strong marketplace gains. Total U.S. consumer takeaway grew 7%, expanding Hershey's confectionery leadership position in measured channels by 0.6 share points. In a \$15+ billion confectionery market, every tenth of a point in share growth is very important and very profitable.

Innovation within core confectionery and the broader snack market played a major role in our success. We introduced several new confectionery product platforms bringing news and superior benefits to consumers, including *Hershey's Kisses* with caramel, *Swoops*, *Simores*, *Ice Breakers Liquid Ice* and *Hershey's Take 5*. We also supported our very successful "Limited Editions" strategy with several introductions during the year.

\*For a presentation of net income, earnings per share-diluted and compound annual growth rate in accordance with GAAP reconciled to measures excluding items affecting comparability, please see page 31.

We're off to a good start in adjacent snack segments with the introduction of our *SnackBarz* line, *Hershey's SmartZone* balanced nutrition bars, and a four-item line of premium cookies. All of our new products capitalize on Hershey's leading brands, confectionery expertise and leading-edge business system.

Our selling capabilities gave us a solid competitive advantage during the year. Our new retail structure and a more customer-focused, flexible trade strategy enabled strong gains in retail takeaway and market share in such high-growth, profitable trade channels as mass merchandisers, drug and convenience stores. Hershey is the clear leader in these outlets.

Results outside the U.S. were mixed, but showed clear improvement in key focus areas. Hershey Canada, for example, delivered another strong year in both sales and profit growth. Hershey do Brasil, while small, made progress due to a combination of on-trend new products and an improving cost structure. Hershey Mexico recorded good sales growth, although its small position in this attractive marketplace requires a far more competitive cost structure. This is now being addressed.

We made exciting progress with acquisitions, closing on two "buy and build" opportunities. Grupo Lorena increased Hershey Mexico's size by over 40%, providing access to the many small retail outlets in Mexico and creating the opportunity to expand the very popular *Pelón Pelo Rico* brand into the high-potential U.S. Hispanic market. Mauna Loa, the second acquisition, is the leading brand of macadamia nuts and macadamia nut snacks. The opportunities to build the Mauna Loa brand and extend Hershey

brands into this segment are immense. We already have new products in development combining the best of both.

**Organizational Excellence** Our achievements in 2004 and prospects for the future reflect the loyalty and dedication of over 13,000 Hershey employees around the world ... colleagues who embrace the collaboration and cooperation needed to ensure our Company's long-term success.

We announced several key executive changes in 2004. In June, Dan Azzara was promoted to the executive team as Vice President, Global Research & Development, in recognition of his outstanding contributions leading the R&D team as well as the global nature and long-term



Richard H. Lenny  
Chairman of the Board, President and Chief Executive Officer



potential of our business. Also in June, Ray Brace was promoted to Senior Vice President, Operations. Ray continues to unlock enormous capabilities throughout our Operations network, meeting marketplace demands for a flexible, cost-effective value chain while supporting Hershey's accelerating pace of innovation.

Frank Cerminara announced his retirement in October as our Senior Vice President, Chief Financial Officer, after an illustrious, 32-year career with Hershey. I've been privileged to work with Frank for four years, a period during which our financial results and his capability as CFO speak for themselves.

We are fortunate to have Dave West as our new Chief Financial Officer. Over the past three years, Dave has played a pivotal role in planning and executing our value-enhancing strategy. He brings a wealth of financial, accounting and control experience from large, complex businesses, as well as a comprehensive understanding of Hershey's business system, accounting practices and control procedures. Dave's appointment will ensure that Hershey continues to perform well in all areas of finance.

Chris Baldwin joined our executive team as Senior Vice President, Global Chief Customer Officer, in October. Chris' broad experience spans field sales, customer marketing, logistics and organizational development. He has a superb track record across numerous snack market businesses and all classes of trade. Chris will accelerate the momentum established over the past few years.

We made numerous changes to our structure, implemented cross-functional rotations, and developed new processes during 2004. Together, these created promotion

opportunities for many employees, built new capabilities, and ensured that our organization continues to evolve to meet the needs of a rapidly changing marketplace.

Superior information capabilities drive our decision-making just as new products drive our marketplace success. We're now capitalizing on the potential of our enterprise-wide SAP system through such initiatives as customer profitability, state-of-the-art human resource tools, and upgrades to our manufacturing network.

Hershey employees' commitment and focus are critical to our success in managing costs and controlling expenses. Despite a significant run-up in virtually all areas, Hershey's total costs increased at a rate below our sales growth. This enabled us to invest in our brands and our people, both for 2004 and the long term. Looking ahead, we must continue to find creative ways to reduce costs while meeting the needs of our consumers and our employees.

**Governance** Hershey continued to strengthen its governance practices during 2004. Each Board committee's charter, as well as our comprehensive Corporate Governance Guidelines, reflects our Board's commitment to strong governance on your behalf. We implemented an enhanced code of ethics for all employees, officers and directors. All of these documents are available on the Company website: [www.hersheys.com](http://www.hersheys.com).

As a result of our strong operating performance, we were able to enhance Hershey's capital structure. In April, we executed a 2:1 stock split. This was followed by the repurchase of \$500 million of our Common Stock from

the Milton Hershey School Trust in July. An additional \$116 million in open-market purchases took place throughout the year. The annual dividend was increased by 11.4% in August, marking the 75th consecutive year of quarterly dividend payments to stockholders and the 30th consecutive year with a dividend increase.

**Looking Ahead** We now have completed the third year of our value-enhancing strategy ... a period during which we've delivered superior profitability and returns and, over the past two years, restored sales momentum. The opportunities to build upon this success in 2005 and beyond are immense, opportunities which demand that we "raise the bar" in terms of our performance expectations. This is what's required if Hershey is to continue being successful and remain an energized, vibrant place to work.

Specifically, we'll further build our U.S. confectionery leadership while gaining critical mass within relevant snack market adjacencies. This growth will be fueled by a robust pipeline of innovative new products and platforms. We'll continue to seek out acquisition candidates which are aligned with our strategy and provide long-term, profitable growth potential.

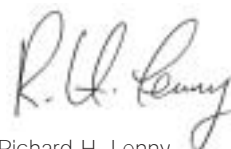
Whether through internal development or acquisition, we're encouraged by our prospects within core confectionery and the broader snack market. Here's why. We have the number-one position in confectionery, and are number three overall within a U.S. snack market generating over \$60 billion in retail sales. Hershey is the number-two snack marketer in the very attractive convenience store channel. And, in terms of highly

profitable and on-trend instant consumables, Hershey is the number-one snack marketer overall. Clearly, we have both the necessary scale to leverage our iconic brands and core competencies as well as considerable room to grow.

For Hershey International, we're focused on building our brands and profitably expanding with global customers. Our product development and selling resources are now structured to ensure that a global perspective is provided for all of our major strategic initiatives.

In addition to a robust new product pipeline, we're strengthening capabilities across the business system. This will ensure sustainability regardless of the competitive challenges, the ever-changing needs of our consumers, or the increasing demands of our customers.

Everywhere I turn, I'm encouraged by "Great People Building Great Brands." We compete in an on-trend category with an advantaged business system that's clearly focused on transformational growth opportunities. However, it's the 13,000+ people committed to winning day-in-and-day-out who really make the difference. I'm confident of our collective commitment to the Company, to our stockholders and to each other. It's a privilege to be part of The Hershey Company.



Richard H. Lenny  
*Chairman of the Board, President  
and Chief Executive Officer*



# winning with consumers

Hershey's iconic brands have  
been winning with consumers  
for more than a century.



Consumers have experienced a special connection to Hershey for more than 100 years. Our brands, including *Hershey's*, *Reese's*, *Kit Kat*, *Hershey's Kisses*, *Jolly Rancher*, *Twizzlers*, *York*, *Almond Joy* and *Ice Breakers*, are cultural icons. Our products hold an enduring place in people's lives, and consumers everywhere trust that Hershey stands for quality, fun and special memories.

This unique connection with consumers provides Hershey with both an exceptional legacy and an exciting future. **Our brands are outstanding platforms for driving growth** as we extend into new segments of the snack category by offering products and benefits that today's consumers want.

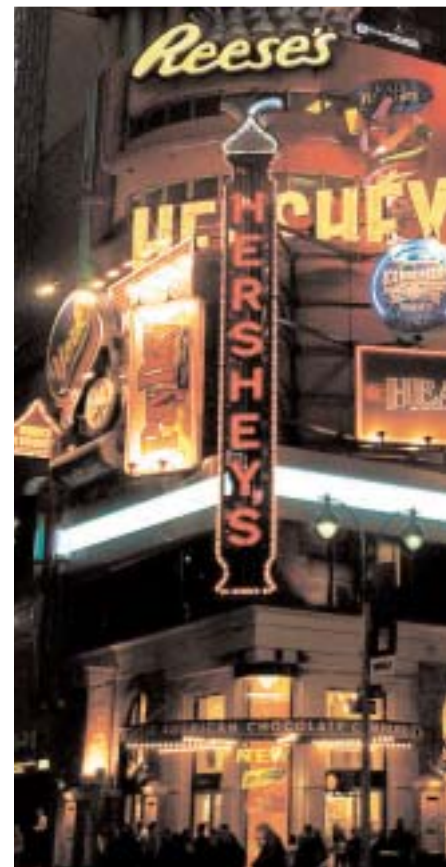
We're connecting our brands with these consumers in new and unique ways that meet the needs of their dramatically changing lifestyles and that build upon their personal, emotional relationship with Hershey.



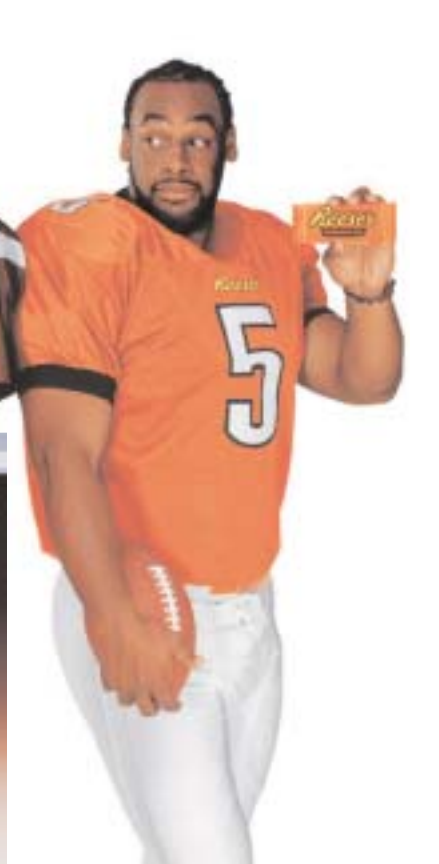
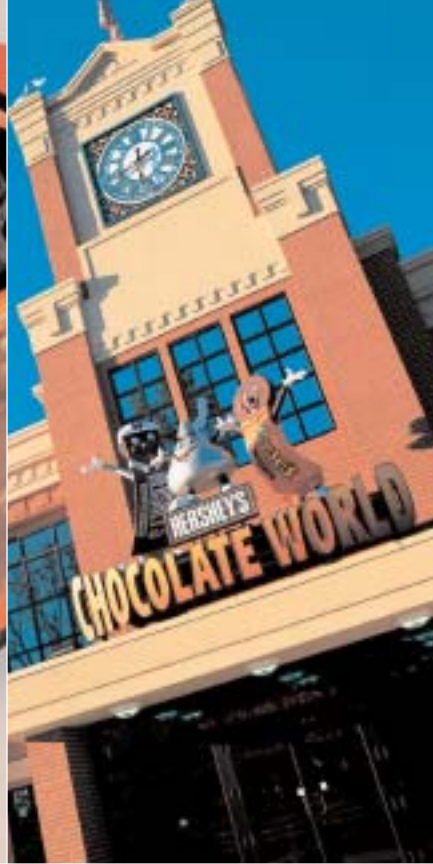
## Connecting with Consumers

Hershey is strengthening its connection with consumers, marketing and selling products in increasingly innovative ways. It might be a consumer unwrapping a *Hershey's* Milk Chocolate Limited Edition bar ... a visitor snapping a picture of our 12-story sign at Times Square in the center of Manhattan ... a family trip to *Hershey's Chocolate World* in Hershey, Pa. ... or a visit to [www.hersheys.com](http://www.hersheys.com) that directly delivers the heritage and fun of Hershey. **We're providing opportunities for consumers to experience the sights, sounds, smells, feelings and, of course, great tastes of our brands.**

And we're discovering relevant, new ways for consumers to connect with Hershey. Our partnership with Latina pop superstar Thalía, for example, creates deep connections with consumers in the rapidly growing Hispanic market ... and our *Reese's Racing* program gives millions of NASCAR fans the chance to see one of Hershey's great brands in action each week of racing season.



Kevin Harvick of *Reese's Racing*, Latina superstar Thalía, quarterbacks Donovan McNabb and Tom Brady, and actress Hilary Duff are helping Hershey connect with consumers.





Hershey continues to create excitement with new products, including *Ice Breakers Liquid Ice*, *Hershey's Take 5*, *Swoops* and *Reese's* white chocolate peanut butter cups.



## Accelerating Innovation

Hershey is bringing an unprecedented level of **innovation** to the confectionery category.

We've brought exciting new tastes to our leading brands with *Hershey's Kisses* with caramel and *Reese's* white chocolate peanut butter cups. We've created a convenient way to enjoy a campfire treat with *Hershey's S'mores*, changed the shape of chocolate with *Swoops* and introduced a unique combination of five favorite flavors with *Hershey's Take 5*. We're appealing to Hispanic consumers with *Hershey's Kisses* filled with dulce de leche and *Jolly Rancher* lollipops with chili. We are delivering convenient, new forms of refreshment and breath freshening with *Ice Breakers Liquid Ice* and we continue to leverage our core brands with Limited Editions. This innovation is driven by our world-class research and development team working in close collaboration with our manufacturing, sales and marketing organizations. Together, they continue to find successful new ways of winning with our consumers and customers.





## Transforming the Portfolio

Hershey's brands and disciplined focus on innovation help us reach the growing number of consumers looking for snack choices combining taste, nutrition and convenience. **We're transforming our portfolio to satisfy this demand and delivering the great taste consumers expect from Hershey in new, healthier and more wholesome snacks platforms.** With *Hershey's SnackBarz*, we've extended our powerful brands into more wholesome, grain-based snacking. *Hershey's SmartZone* nutrition bars are formulated to deliver the superior nutritional benefits of Dr. Sears' Zone Diet and have the great taste of Hershey's. We recently entered the snack nut market with our acquisition of Mauna Loa, the leading brand of macadamia nut snacks. Our sugar-free *Hershey's*, *Reese's* and *York* products meet the needs of consumers concerned about sugar consumption. This is just the beginning as we continue to introduce exciting new products for consumers interested in a healthy and active lifestyle.



Fitness expert  
Denise Austin  
knows the benefits of  
*Hershey's SmartZone.*



winning with  
customers



270



Hershey's growth is driven by the strong relationships we've built with the most successful companies in the retail marketplace.



Hershey is committed to building the growth and profitability of the confectionery category through innovation, superior retail execution, seamless and value-added supply chain dynamics, and flexible customer marketing programs. We're devoting more resources to support our customers and to capitalize on the impulse nature of our category. And we're emphasizing efforts to win with those customers committed to growing confectionery sales and to meeting consumers' changing needs. **Today, we're gaining market share and building strength in high-growth channels as a direct result of our close collaboration with customers.** With 2.6 million points of distribution, our products are available nearly everywhere people shop. And we're working





Hershey products are nearly everywhere consumers shop, including food stores and vending machines. Our customers recognize our superior execution and teamwork with awards such as the 7-Eleven Retailer Initiative Award.



hard to build relationships with new customers, bringing our great brands to such outlets as home improvement and electronics stores.

We're proud of the relationships we've built with our customers. 7-Eleven, Turkey Hill, Wal-Mart and CVS, just to name a few, honored us for our expertise, superior execution and, most importantly, teamwork during 2004.



**TurkeyHill**

creating  
affordability

Hershey is focused on creating a cost-effective value chain throughout the Company, from procurement to manufacturing to distribution.



Creating affordability makes it possible for us to invest in new product development, marketing, sales and all the other areas so important to Hershey's success today and its future growth. This emphasis on increasing efficiency and managing costs extends across our Company and involves all of our employees. For example, we've applied the latest robotic technology in manufacturing where it will generate the greatest productivity gains. Our procurement team takes a global approach to sourcing materials and ingredients, leveraging the scale of Hershey to make the most cost-effective purchases. We've reduced logistics costs by streamlining our distribution network, and we've reduced our item count by 30%, allowing us to concentrate on products offering the best potential for profitable growth. **Our determined and consistent focus on creating affordability ensures that we have the resources to support our great brands, driving growth and building superior profitability.**



# winning with international



Our great brands connect with consumers around the world. Examples of brands helping to drive growth in key international markets include *Pot of Gold* in Canada, *Hershey's Mais* in Brazil, *Hershey's Nuggets* in the Far East, and *Pelón Pelo Rico* in Mexico.



We're using the power and broad familiarity of our brands to profitably connect with consumers in **key international markets** as well as in the **United States**. In Canada, we're seeing

the results of innovation and accelerated product launches in the success of *Hershey's S'mores* and *Hershey's Kisses* with caramel.

The acquisition of Grupo Lorena in Mexico has added another iconic, well-known brand, *Pelón Pelo Rico*, to our portfolio. In Brazil,

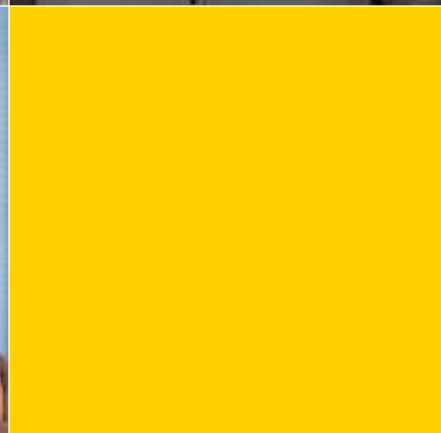
we're gaining strength in key segments and generating consumer enthusiasm through the launch of a wide range of new products,

including *Hershey's Mais* and *Hershey's Creme*. In Asia, we're working closely with local, regional and global customers to grow

in targeted markets. Moving forward, our strong relationships with such growing, global customers as Wal-Mart, 7-Eleven and Costco place Hershey in an excellent position for profitable international growth.



building  
great people

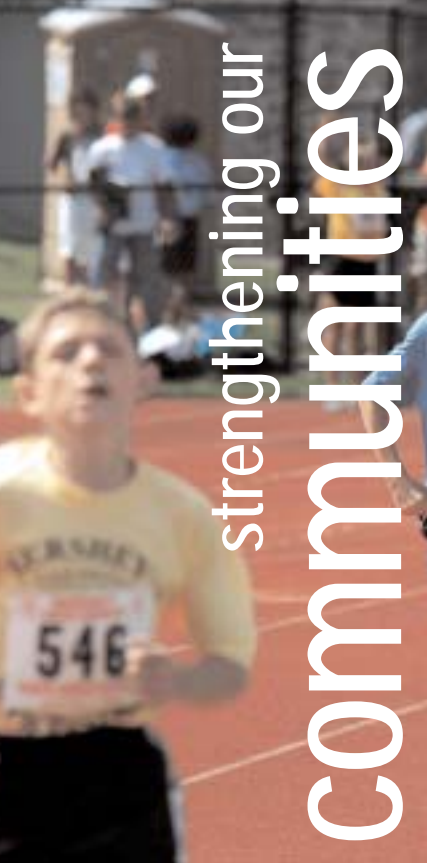


Our superior results simply wouldn't be possible without the more than 13,000 great people of Hershey working as one team. **We attract and develop the best people in the packaged goods industry, inspiring them to be passionate about winning.**

We provide them with the opportunity to learn, grow, innovate and make a personal contribution toward achieving superior business performance. We emphasize diversity – the diversity of thought, management styles, experience and abilities that only comes from bringing together people with different backgrounds and different ways of seeing the world – as a critical element of our success. And we reward our employees, making them full partners in the growth of our Company. We're proud of our employees and the outstanding contribution they make every day to building an even stronger, more successful Hershey.



# strengthening our communities



Hershey plays an active role in strengthening communities around the world. Our employees are key to these efforts, volunteering at food banks, working with Habitat for Humanity and participating in fundraisers such as the Walk for Diabetes.



Hershey is committed to making a **positive difference** locally, across North America and around the world. We support hundreds

of civic, educational, youth and cultural organizations, with a special emphasis on helping children at risk. Recognizing the importance of education to a child's success in life, we recently made a multi-year pledge to the United Negro College Fund to provide scholarships for minority students in Central Pennsylvania. We play a leading role in the global effort to ensure that cocoa is grown responsibly and, through the World Cocoa Foundation, in supporting income improvement for cocoa-growing families around the world. In partnership with our employees, we are a major contributor to the United Way and the Children's Miracle Network. And, for the past 28 years, we have sponsored the *Hershey's Track and Field Youth Program*, inspiring over 500,000 young people each year to become more physically active.





sharing our  
success



## Milton Hershey School

Milton S. Hershey, our founder, and his wife, Catherine, were deeply committed to making a difference in the lives of children in need. In 1909, they established a home and school for orphans. Following his wife's death, Mr. Hershey donated \$60 million – virtually his entire personal fortune – to set up a trust that would provide for this school in perpetuity.

Today, Milton Hershey School provides **education and a caring home environment** for 1,300 ethnically diverse boys and girls from families in financial and social need. The School provides career training, health care and counseling for all enrolled students, as well as financial support for those who continue on to college.

Milton Hershey School, through the Milton Hershey School Trust, is our largest stockholder. We're deeply proud of our unique heritage and our special relationship to the School, and are keenly aware that its students are the direct beneficiaries of our success.





# Consolidated Statements of Income

*In thousands of dollars except per share amounts*

For the years ended December 31,	2004	2003	2002
Net Sales	\$4,429,248	\$4,172,551	\$4,120,317
<b><i>Costs and Expenses:</i></b>			
Cost of sales	2,679,531	2,544,726	2,561,052
Selling, marketing and administrative	847,540	816,442	833,426
Business realignment and asset impairments, net	—	23,357	27,552
Gain on sale of business	—	(8,330)	—
Total costs and expenses	3,527,071	3,376,195	3,422,030
Income before Interest and Income Taxes (EBIT)	902,177	796,356	698,287
Interest expense, net	66,533	63,529	60,722
Income before Income Taxes	835,644	732,827	637,565
Provision for income taxes	244,765	267,875	233,987
Income before Cumulative Effect of Accounting Change	590,879	464,952	403,578
Cumulative effect of accounting change, net of \$4,933 tax benefit	—	7,368	—
Net Income	\$ 590,879	\$ 457,584	\$ 403,578
Earnings Per Share — Basic – Common Stock			
Income before Cumulative Effect of Accounting Change	\$ 2.38	\$ 1.81	\$ 1.51
Cumulative Effect of Accounting Change, net of \$.02 Tax Benefit	—	.03	—
Net Income	\$ 2.38	\$ 1.78	\$ 1.51
Earnings Per Share — Basic – Class B Common Stock			
Income before Cumulative Effect of Accounting Change	\$ 2.17	\$ 1.64	\$ 1.37
Cumulative Effect of Accounting Change, net of \$.02 Tax Benefit	—	.03	—
Net Income	\$ 2.17	\$ 1.61	\$ 1.37
Earnings Per Share — Diluted			
Income before Cumulative Effect of Accounting Change	\$ 2.30	\$ 1.76	\$ 1.47
Cumulative Effect of Accounting Change, net of \$.02 Tax Benefit	—	.03	—
Net Income	\$ 2.30	\$ 1.73	\$ 1.47
<b><i>Cash Dividends Paid Per Share:</i></b>			
Common Stock	\$ .8350	\$ .7226	\$ .6300
Class B Common Stock	.7576	.6526	.5675

The notes to consolidated financial statements are an integral part of these statements.

For complete consolidated financial statements, refer to the Company's 2004 Annual Report on Form 10-K.



# Consolidated Balance Sheets

*In thousands of dollars*

December 31,	2004	2003
<b>Assets</b>		
<b><i>Current Assets:</i></b>		
Cash and cash equivalents	\$ 54,837	\$ 114,793
Accounts receivable—trade	408,930	407,612
Inventories	557,180	492,859
Deferred income taxes	46,503	13,285
Prepaid expenses and other	114,991	103,020
Total current assets	1,182,441	1,131,569
Property, Plant and Equipment, Net	1,682,698	1,661,939
Goodwill	463,947	388,960
Other Intangibles	125,233	38,511
Other Assets	343,212	361,561
Total assets	\$ 3,797,531	\$ 3,582,540
<b>Liabilities and Stockholders' Equity</b>		
<b><i>Current Liabilities:</i></b>		
Accounts payable	\$ 148,686	\$ 132,222
Accrued liabilities	472,096	416,181
Accrued income taxes	42,280	24,898
Short-term debt	343,277	12,032
Current portion of long-term debt	279,043	477
Total current liabilities	1,285,382	585,810
Long-Term Debt	690,602	968,499
Other Long-Term Liabilities	403,356	370,776
Deferred Income Taxes	328,889	377,589
Total liabilities	2,708,229	2,302,674
<b><i>Stockholders' Equity:</i></b>		
Preferred Stock, shares issued: none in 2004 and 2003	—	—
Common Stock, shares issued: 299,060,235 in 2004 and 149,528,776 on a pre-split basis in 2003	299,060	149,528
Class B Common Stock, shares issued: 60,841,509 in 2004 and 30,422,096 on a pre-split basis in 2003	60,841	30,422
Additional paid-in capital	28,614	4,034
Unearned ESOP compensation	(6,387)	(9,580)
Retained earnings	3,469,169	3,263,988
Treasury—Common Stock shares, at cost: 113,313,827 in 2004 and 50,421,139 on a pre-split basis in 2003	(2,762,304)	(2,147,441)
Accumulated other comprehensive income (loss)	309	(11,085)
Total stockholders' equity	1,089,302	1,279,866
Total liabilities and stockholders' equity	\$ 3,797,531	\$ 3,582,540

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# Consolidated Statements of Cash Flows

*In thousands of dollars*

For the years ended December 31,	2004	2003	2002
<b>Cash Flows Provided from (Used by) Operating Activities</b>			
Net income	\$ 590,879	\$ 457,584	\$ 403,578
<b><i>Adjustments to reconcile net income to net cash provided from operations:</i></b>			
Depreciation and amortization	189,665	180,567	177,908
Deferred income taxes	(81,931)	38,895	137,817
Gain on sale of business, net of tax of \$2,624	—	(5,706)	—
Business realignment initiatives, net of tax of \$9,988 and \$12,470, respectively	—	15,488	21,509
Cumulative effect of accounting change, net of tax of \$4,933	—	7,368	—
<b><i>Changes in assets and liabilities, net of effects from business acquisitions and divestitures:</i></b>			
Accounts receivable—trade	17,319	(36,636)	(9,250)
Inventories	(40,043)	9,095	8,843
Accounts payable	(11,266)	7,715	(8,542)
Other assets and liabilities	132,827	(81,427)	(106,520)
<b>Net Cash Provided from Operating Activities</b>	<b>797,450</b>	<b>592,943</b>	<b>625,343</b>
<b>Cash Flows Provided from (Used by) Investing Activities</b>			
Capital additions	(181,728)	(218,650)	(132,736)
Capitalized software additions	(14,158)	(18,404)	(11,836)
Business acquisitions	(166,859)	—	—
Proceeds from divestitures	—	20,049	12,000
<b>Net Cash (Used by) Investing Activities</b>	<b>(362,745)</b>	<b>(217,005)</b>	<b>(132,572)</b>
<b>Cash Flows Provided from (Used by) Financing Activities</b>			
Net change in short-term borrowings	331,245	897	4,130
Long-term borrowings	—	3,194	304
Repayment of long-term debt	(883)	(18,633)	(9,578)
Cash dividends paid	(205,747)	(184,686)	(167,821)
Exercise of stock options	79,634	55,120	86,491
Incentive plan transactions	(81,933)	(85,347)	(158,507)
Repurchase of Common Stock	(616,977)	(329,433)	(84,194)
<b>Net Cash (Used by) Financing Activities</b>	<b>(494,661)</b>	<b>(558,888)</b>	<b>(329,175)</b>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(59,956)</b>	<b>(182,950)</b>	<b>163,596</b>
<b>Cash and Cash Equivalents as of January 1</b>	<b>114,793</b>	<b>297,743</b>	<b>134,147</b>
<b>Cash and Cash Equivalents as of December 31</b>	<b>\$ 54,837</b>	<b>\$ 114,793</b>	<b>\$ 297,743</b>
<b>Interest Paid</b>	<b>\$ 66,151</b>	<b>\$ 65,347</b>	<b>\$ 64,343</b>
<b>Income Taxes Paid</b>	<b>289,607</b>	<b>207,672</b>	<b>57,495</b>

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# Reconciliation of Items Affecting Comparability

*In millions of dollars except per share amounts*

For the years ended December 31,	2000		2001		2002		2003		2004	
	Per Share - Diluted		Per Share - Diluted		Per Share - Diluted		Per Share - Diluted		Per Share - Diluted	
Income before cumulative effect of accounting change	\$334.5	\$1.21	\$207.2	\$ .75	\$403.6	\$1.47	\$464.9	\$1.76	\$590.9	\$2.30
Items affecting comparability after tax:										
Business realignment and asset impairments included in cost of sales	—	—	31.8	.11	4.1	.01	1.3	—	—	—
Costs to explore the sale of the Company included in selling, marketing and administrative expense	—	—	—	—	10.9	.04	—	—	—	—
Gain on sale of airplane included in selling, marketing and administrative expense	(4.5)	(.02)	—	—	—	—	—	—	—	—
Business realignment and asset impairments, net	—	—	140.1	.51	17.4	.06	14.2	.05	—	—
Gain on sale of business	—	—	(1.1)	—	—	—	(5.7)	(.02)	—	—
Tax provision adjustment	—	—	—	—	—	—	—	—	(61.1)	(.24)
Elimination of amortization of goodwill and other intangible assets	13.5	.05	13.5	.05	—	—	—	—	—	—
Income excluding items affecting comparability	\$343.5	\$1.24	\$391.5	\$1.42	\$436.0	\$1.58	\$474.7	\$1.79	\$529.8	\$2.06
			Increase vs. prior yr.	14.5%	Increase vs. prior yr.	11.3%	Increase vs. prior yr.	13.3%	Increase vs. prior yr.	15.1%
									2000-2004 CAGR	13.5%



Hershey Executive Team  
(as of February 28, 2005)

**Richard H. Lenny**  
*Chairman of the Board,  
President and Chief Executive Officer*

**Marcella K. Arline**  
*Senior Vice President  
Chief People Officer*

**C. Daniel Azzara**  
*Vice President  
Global Research and Development*

**Christopher J. Baldwin**  
*Senior Vice President  
Global Chief Customer Officer*

**John P. Bilbrey**  
*Senior Vice President  
President Hershey International*

**Raymond Brace**  
*Senior Vice President  
Operations*

**George F. Davis**  
*Vice President  
Chief Information Officer*

**Thomas K. Hernquist**  
*Senior Vice President  
President U.S. Confectionery*

**Burton H. Snyder**  
*Senior Vice President  
General Counsel and Secretary*

**David J. West**  
*Senior Vice President  
Chief Financial Officer*

Board Committees

**Audit Committee**  
**Gary P. Coughlan**, *Chair*  
**Robert F. Cavanaugh**  
**Harriet Edelman**  
**Marie J. Toulantis**

**Committee on Directors and  
Corporate Governance**  
**Jon A. Boscia**, *Chair*  
**Robert H. Campbell**  
**Bonnie G. Hill**  
**Marie J. Toulantis**

**Compensation and Executive  
Organization Committee**  
**Mackey J. McDonald**, *Chair*  
**Robert H. Campbell**  
**Robert F. Cavanaugh**  
**Harriet Edelman**  
**Bonnie G. Hill**

**Executive Committee**  
**Richard H. Lenny**, *Chair*  
**Jon A. Boscia**  
**Gary P. Coughlan**  
**Mackey J. McDonald**

Investor Services Program

The Company, through its agent Mellon Bank, N.A., offers an Investor Services Program. Features of the program include the ability to purchase initial shares of Hershey Foods Corporation Common Stock, as well as subsequent shares, directly from our agent; dividend reinvestment; automatic monthly deductions from a bank account for optional cash purchases; safekeeping of certificates; and direct deposit of dividends. For more information, contact:

**Mellon Bank, N.A.**  
c/o Mellon Investor Services LLC  
P. O. Box 3338  
South Hackensack, NJ 07606-1938  
(800) 851-4216  
[www.melloninvestor.com](http://www.melloninvestor.com)

To request enrollment materials, please call (800) 842-7629.

Stockholder Inquiries

Questions relating to stockholder records, change of ownership, change of address and dividend payments should be sent to the Company's Transfer Agent, Mellon Investor Services LLC, whose address appears below.

Financial Information

Security analysts, investment managers and stockholders should direct financial information inquiries to the Investor Relations contact listed below.

2004 Annual Report

The 2004 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, is provided with the Company's Proxy Statement. Further information regarding various aspects of the Company's business can be found on the Company's website at [www.hersheys.com](http://www.hersheys.com).

Electronic Delivery

In an effort to reduce paper mailed to your home and help lower printing and postage costs, we are pleased to offer to stockholders the convenience of viewing online Proxy Statements, Annual Reports to Stockholders and related materials. With your consent, we can stop sending future paper copies of these documents. To participate, follow the instructions at [www.icsdelivery.com/hsy](http://www.icsdelivery.com/hsy) or select the Online Proxy/Voting option in the Investor Relations section of the Company's website.

**Online Voting at  
[www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions anytime before 11:59 p.m. EDT on April 18, 2005. Have your proxy card in hand when you access the website. You will be prompted to enter your Control Number to obtain your records and create an electronic voting instruction form.

Stockholder Information

**Executive Offices**  
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P. O. Box 810  
Hershey, PA 17033-0810  
(717) 534-4000

**Independent Auditors**  
KPMG LLP  
345 Park Avenue  
New York, NY 10017

**Transfer Agent and Registrar**  
Mellon Investor Services LLC  
85 Challenger Road  
Ridgefield Park, NJ 07660  
[www.melloninvestor.com](http://www.melloninvestor.com)  
(800) 851-4216 – Domestic Holders  
(201) 329-8660 – Foreign Holders  
(800) 231-5469 – Hearing Impaired  
(201) 329-8354 – Foreign TDD line  
for hearing impaired

**Investor Relations Contact**  
James A. Edris  
Vice President, Investor Relations  
100 Crystal A Drive  
P. O. Box 810  
Hershey, PA 17033-0810  
(800) 539-0261

**Financial Information**  
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[www.hersheys.com](http://www.hersheys.com)

**[www.melloninvestor.com](http://www.melloninvestor.com)**  
Mellon Investor Services' website provides access to an Internet self-service product, Investor ServiceDirect<sup>SM</sup> ("ISD"). Through ISD, stockholders can view their account profiles, stock certificate histories, dividend reinvestment/book-entry transactions (including any new funds pending investment), dividend payment histories, Form 1099 tax information, current stock price quote (20-minute delay) and historical stock prices. Stockholders may also request a replacement dividend check, the issuance of stock certificates or the sale of shares from a book-entry position, duplicate Form 1099 or dividend reinvestment statement, information concerning safekeeping of stock certificates, an address change, or stock transfer instructions. Future ISD enhancements are planned. Be sure to check the [www.melloninvestor.com](http://www.melloninvestor.com) website.

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identify its products and services.**



## Board of Directors

1. **Richard H. Lenny**  
*Chairman of the Board,  
President and  
Chief Executive Officer*
2. **Jon A. Boscia**  
*Chairman of the Board  
and Chief Executive Officer  
Lincoln National  
Corporation  
Philadelphia, PA*
3. **Robert H. Campbell**  
*Chairman of the Board  
and Chief Executive  
Officer (Retired)  
Sunoco, Inc.  
Philadelphia, PA*
4. **Robert F. Cavanaugh**  
*Managing Director  
DLJ Real Estate  
Capital Partners  
Los Angeles, CA*
5. **Gary P. Coughlan**  
*Senior Vice President  
Finance and Chief  
Financial Officer (Retired)  
Abbott Laboratories, Inc.  
Abbott Park, IL*
6. **Harriet Edelman**  
*Senior Vice President  
Business Transformation and  
Chief Information Officer  
Avon Products, Inc.  
New York, NY*
7. **Bonnie G. Hill**  
*President  
B. Hill Enterprises, LLC  
Co-Founder  
Icon Blue, Inc.  
Los Angeles, CA*
8. **Mackey J. McDonald**  
*Chairman of the Board,  
Chief Executive Officer  
and President  
VF Corporation  
Greensboro, NC*
9. **Marie J. Toulantis**  
*Chief Executive Officer  
Barnes & Noble.com  
New York, NY*



Hershey Foods Corporation

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